GTC Group Limited

Directors' report and financial statements

Registered number SC122818

28 October 2007

Contents

Officers and professional advisers

Directors

A Gowing
SM Melville
P Dear (Non Executive)
D Robinson
EDW Phillips
NR Carrick

Company Secretary

AJ Robson

Registered office

Mackinnons
14 Carden Place
Aberdeen
AB10 1UR

Auditors

KPMG Audit Plc
1 The Embankment
Neville Street
Leeds
LS1 4DW

Directors' report

The directors submit their report and the financial statements of GTC Group Limited for the 11 month period ended 28 October 2007 The Company's parent undertaking, GTC Holdings Limited, was acquired by Cosalt plc on 12 October 2007 and the year end date of the GTC Holdings Limited group aligned to that of Cosalt plc

Principal activities

The principal activities of the company include the supply, repair and recertification of lifting equipment and gear, the manufacture and repair of wire rope slings, chain slings, webbing slings and proof load testing and the supply, hire, service and repair of pneumatic and hydraulic tools The company also carried out non destruction testing and inspection of lifting appliances and structures for both onshore and offshore use

Review of the business

The directors are pleased to report an increase in turnover whilst maintaining the overhead cost base at similar levels to 2006, and the recognition of significant profits following the steps taken in the previous year With a broader range of services and longer term contracts in place, the directors look to the future with confidence

Turnover (excluding exceptionals) increased in the 11 month period to £21,075,760 *(2006 £16,308,909)*

Operating profit (excluding exceptionals) was £5,631,830 (26 7%) against £1,303,840 (8 0%) in 2006

Balance sheet

The balance sheet shows an increase in shareholders' funds of £3,052,172 to £5,444,147

Principal risks

The most significant risks to the company's profitability are

- Increased costs of raw materials and energy
- Increased statutory regulation, e g health and safety, environmental
- Reduced demand from the company's main markets

The board has strategies to manage these risks and remains confident of the continued success of the company

Key Performance Indicators (KPIs)

Management monitor the performance of the operations compared to budget and forecast

KPIs monitored on a daily basis are

- Sales volume and value
- Quality
- Order intake

KPIs monitored monthly/weekly are the above plus

- Profit and cash generation
- Overtime and absenteeism rates
- Health and safety rate (accidents per 100 employees)

Directors' report *(continued)*

Future prospects

The directors are confident about the long term prospects for the company, with its focus on the offshore oil and gas industry

Oil and gas prices are currently at a very high level, which means that production is also at a very high level and with the focus on this market the directors believe that the company is well positioned to take full advantage of this situation

The quality of the relationships with their customers and with more emphasis required by their customers for the safety of their employees offshore, means that the services the company can offer to these and future customers are in demand and will show a very strong future

Amalgamation of the company's offering of product and services along with that of other company's within the holding group will mean that a broader portfolio of products and service can be offered which is expected to have a beneficial effect throughout the business

Results and dividends

The profit for the period was £3,052,172 *(2006 £903,877)* No dividends have been paid or proposed in the year *(2006 £nil)*

Risks and uncertainties

The directors have considered the principal risks and uncertainties to be those associated with the global oil and gas market where changes in political and operational landscapes could impact favourably or otherwise upon business and as such are continually monitoring new opportunities

Directors

The directors of the company during the period ended 28 October 2007 were as noted on page 1 D Robinson, PA Jonsson, EDW Phillips and NR Carrick were appointed on 11 October 2007 P Dear resigned on 11 October 2007, G Middleton resigned on 31 January 2008 and P Jonsson resigned on 3 June 2008

Auditors

Anderson Anderson & Brown resigned as auditors of the company on 11 November 2007 and the directors appointed KPMG Audit Plc to fill the vacancy arising on 11 November 2007

In accordance with Section 384 of the Companies Act 1985, a resolution for the re appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting

By order of the board

D Robinson
Director

Mackinnons
14 Carden Place
Aberdeen
AB10 1UR

28 August 2008

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

KPMG

KPMG Audit Plc
1 The Embankment
Neville Street
Leeds
LS1 4DW
United Kingdom

Independent auditors' report to the members of GTC Group Limited

We have audited the financial statements of GTC Group Limited for the 11 months ended 28 October 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Independent auditors' report to the members of GTC Group Limited *(continued)*

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 28 October 2007 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

28 August 2008

Profit and Loss Account
for the 11 month period ended 28 October 2007

	Note	11 months ended 28 October 2007			Year ended 30 November 2006
		Normal	Exceptional (note 2)	Total	
		£	£	£	£
Turnover		21,075,760	(1,692,364)	19,383,396	16,308,909
Operating costs	2	(15,443,930)	18,647	(15,425,283)	(15,005,069)
Operating profit	3	5,631,830	(1,673,717)	3,958,113	1,303,840
Profit on disposal of fixed assets			687,212	687,212	
Interest receivable	6	1,251		1,251	6,000
Interest payable and similar charges	7	(255,419)	(199,086)	(454,505)	(309,478)
Profit on ordinary activities before taxation		5,377,662	(1,185,591)	4,192,071	1,000,362
Tax on profit on ordinary activities	8			(1,139,899)	(96,485)
Profit for the financial period	18			3,052,172	903,877

There are no recognised gains and losses other than the profit for the period stated above

There is no material difference between the profit on ordinary activities and the retained profit for the period stated above and the historical cost equivalents

Balance Sheet
at 28 October 2007

	Note	28 October 2007 £	30 November 2006 £
Fixed assets			
Tangible fixed assets	*9*	**1,792,820**	1,933,118
Investments	*10*	**1**	1
		1,792,821	1,933,119
Current assets			
Stocks and work in progress	*11*	**3,702,190**	2,361,004
Debtors	*12*	**10,179,935**	6,627,644
Cash at bank and in hand		**118,380**	3,541
		14,000,505	8,992,189
Creditors. amounts falling due within one year	*13*	**(5,445,015)**	(7,114,208)
Net current assets		**8,555,490**	1,877,981
Total assets less current liabilities		**10,348,311**	3,811,100
Creditors amounts falling due after one year	*14*	**(4,904,164)**	(1,359,125)
Provision for liabilities and charges	*16*		(60,000)
		5,444,147	2,391,975
Capital and reserves			
Called up share capital	*17*	**105,000**	105,000
Capital redemption reserve	*18*	**104,285**	104,285
Profit and loss account	*18*	**5,234,862**	2,182,690
Shareholders' funds	*18*	**5,444,147**	2,391,975

These financial statements were approved by the board of directors on 28 August 2008 and were signed on its behalf by

D Robinson
Director

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules The company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary

The company is exempt by virtue of s228 paragraph 1 of the Companies Act 1985 from the requirement to prepare group accounts These financial statements present information about the company as an individual undertaking and not about its group

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards

Depreciation

The cost of fixed assets is written off by equal monthly instalments over their expected useful lives as follows

Freehold buildings	5 10 years
Leasehold land and buildings	20 years
Plant and machinery	5 10 years
Computers, furniture and fittings	5 10 years
Motor vehicles	4 6 years

Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value with due allowance for any obsolete or slow moving items In the case of work in progress, cost comprises direct materials and labour

Hire purchase and lease commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives The interest element of the rental obligations is charged to the profit and loss account over the period of the lease on a straight line basis

Rentals paid under operating leases are charged to income over the term of the lease

Pensions

The company operates and contributes towards defined contribution pension schemes Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date

All differences are taken to the profit and loss account

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

Current tax, including UK corporation tax and foreign tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have been originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the company's taxable profits and its results as stated in the accounts that arise from the inclusion of gains and losses in tax assessments in the period which are different from those recognised in the accounts Deferred tax has been measured on a non discounted basis

2 Operating costs

			11 month period ended 28 October 2007		Year ended 30 November 2006
		Normal	**Exceptional**	**Total**	
		£	**£**	**£**	£
Increase in stocks and work in progress		**(977,522)**	**(363,664)**	**(1,341,186)**	(1,026,591)
Raw materials and consumables		**8,072,669**		**8,072,669**	7,953,702
Staff costs	salaries	**4,415,953**		**4,415,953**	4,410,218
	social security costs	**447,101**		**447,101**	446,249
	other pension costs	**79,763**		**79,763**	76,797
Impairment of tangible fixed assets			**345,017**	**345,017**	
Depreciation	owned assets	**581,562**		**581,562**	590,627
	leased assets	**51,513**		**51,513**	70,687
Other operating charges		**2,772,891**		**2,772,891**	2,483,380
		15,443,930	**(18,647)**	**15,425,283**	15,005,069

The exceptional items comprise an increase in work in progress (£363,664) and an impairment charge on fixed assets (£345,017) as detailed in note 9

Following the acquisition the revenue recognition methodology in respect of accrued income was aligned to that of Cosalt plc, revising the estimates used The reduction in accrued income was £1,692,364 and the increase to work in progress was £363,664

3 Operating profit is stated after charging/(crediting)

		11 month period ended 28 October 2007	Year ended 30 November 2006
		£	£
Auditors' remuneration		**17,000**	17,000
Operating leases	equipment	**589,012**	89,438
	land and buildings	**222,129**	148,650
Gain on sale of fixed assets			(62,200)
Foreign exchange loss		**9,401**	13,640

Notes *(continued)*

4 Staff costs

The average number of persons employed by the company, including directors, during the year, was as follows

	11 month period ended 28 October 2007 No	Year ended 30 November 2006 No
Management, administration and sales	**35**	33
Workshop	**160**	157
	195	190

5 Directors' remuneration

Directors' remuneration was paid by the holding company The directors do not believe it is practicable to apportion these amounts between their services as directors of the company and their services as directors of the holding company

6 Interest receivable

	11 month period ended 28 October 2007 £	Year ended 30 November 2006 £
Bank interest	**1,251**	6,000

7 Interest payable

	11 month period ended 28 October 2007 £	Year ended 30 November 2006 £
Factoring interest	**156,174**	93,499
Bank overdraft interest	**86,722**	196,541
Hire purchase and finance leases	**12,430**	18,079
Other interest	**93**	1,359
	255,419	309,478
Exceptional bank charge on settlement of facilities	**199,086**	
	454,505	309,478

Notes *(continued)*

8 Taxation charge for the period comprises

	11 month period ended 28 October 2007	Year ended 30 November 2006
	£	£
UK corporation tax	**1,221,000**	148,000
UK corporation tax – group relief		99,500
Deferred tax	**(81,101)**	60,000
	1,139,899	307,500
Adjustments relating to prior year UK corporation tax		(211,015)
	1,139,899	96,485

The tax charge for the period differs to the standard rate of UK corporation tax of 30% due to losses brought forward

The current tax charge for the period is lower *(2006 lower)* than the standard rate of corporation tax in the UK 30% *(2006 30%)* the differences are explained below

	11 month period ended 28 October 2007	Year ended 30 November 2006
	£	£
Profit on ordinary activities before tax	**4,192,071**	1,000,362
Current tax at 30% *(2006 30%)*	**1,257,621**	300,109
Expenses not deductible for tax purposes	**6,037**	15,711
Capital gain less than book profit	**(69,139)**	
Depreciation in excess of capital allowances	**26,481**	42,231
Utilisation of earlier year losses		(110,551)
Adjustments relating to prior year		(211,015)
	1,221,000	36,485

Notes *(continued)*

9 Tangible fixed assets

	Freehold buildings £	Leasehold land and buildings £	Plant and machinery £	Computers, furniture and fittings £	Motor vehicles £	Total £
Cost						
At 30 November 2006	576,301	213,188	3,815,610	216,829	208,605	5,030,533
Group transfers in			578,454	3,667	7,795	589,916
Group transfers out			(3,240)	(4,151)	(30,104)	(37,495)
Additions	10,322		742,569	74,890	36,961	864,742
Disposals	(586,623)	(132,965)	(48,865)	(1,277)	(37,304)	(807,034)
At 28 October 2007		80,223	5,084,528	289,958	185,953	5,640,662
Depreciation						
At 30 November 2006	198,782	110,199	2,570,563	89,387	128,484	3,097,415
Group transfers in			111,203	938	4,060	116,201
Group transfers out			(540)	(2,982)	(13,715)	(17,237)
Charge for the period	17,036	15,271	508,662	57,448	34,658	633,075
Impairment charge			345,017			345,017
Relating to disposals	(215,818)	(47,999)	(24,231)	(1,277)	(37,304)	(326,629)
At 28 October 2007		77,471	3,510,674	143,514	116,183	3,847,842
Net book amounts at At 28 October 2007		**2,752**	**1,573,854**	**146,444**	**69,770**	**1,792,820**
Net book value At 30 November 2006	377,519	102,989	1,245,047	127,442	80,121	1,933,118

The net book value of tangible fixed assets includes an amount of £291,568 *(2006 £327,810)* in respect of assets held under hire purchase and finance lease contracts

An impairment charge of £345,017 has been recognised in respect of certain hire assets that the directors consider do not generate economic benefit for the company

10 Investments

	£
Cost	
Additions and at 28 October 2007	1

The associated undertaking as at 28 October 2007 was

Company	**Nature of business**	**Holding %**
GTC Specialist Services Limited	Dormant	50

The above is a holding of ordinary shares

Notes *(continued)*

11 Stocks and work in progress

	28 October 2007 £	30 November 2006 £
Raw materials and consumables	1,216,406	720,689
Work in progress	2,485,784	1,640,315
	3,702,190	2,361,004

12 Debtors

	28 October 2007 £	30 November 2006 £
Trade debtors	5,745,016	3,753,364
Prepayments and accrued income	1,008,740	1,980,569
Corporation tax recoverable		209,507
Section 419 tax		199,934
Amounts due from group undertakings	3,398,158	478,270
Deferred tax asset (note 16)	21,101	
Other debtors	6,920	6,000
	10,179,935	6,627,644

The amount due from related company is due after more than one year

Notes *(continued)*

13 Creditors: amounts falling due within one year

	28 October 2007	30 November 2006
	£	£
Bank overdraft		1,216,999
Invoice discounting advance		2,255,833
Trade creditors	**2,957,439**	2,232,123
Hire purchase and finance lease creditor (note 15)	**13,720**	134,217
Corporation tax	**1,220,924**	148,000
Section 419 tax		199,934
Other taxes and social security	**486,251**	550,649
Other creditors	**218,289**	
Accruals and deferred income	**548,392**	376,453
	5,445,015	7,114,208

14 Creditors. amounts falling due after more than one year

	28 October 2007	30 November 2006
	£	£
Hire purchase and finance lease creditor (note 15)	**124,177**	118,781
Amounts due to ultimate parent company	**4,779,987**	1,240,344
	4,904,164	1,359,125

15 Obligations under hire purchase and finance lease contacts

	28 October 2007	30 November 2006
	£	£
Amounts repayable		
Within one year (note 13)	**13,720**	134,217
Between two and five years (note 14)	**124,177**	118,781
	137,897	252,998

Notes *(continued)*

16 Provision for liabilities and charges

	28 October 2007	30 November 2006
	£	£
Comprises deferred taxation as follows		
Accelerated capital allowances	**(18,357)**	62,000
Other timing differences	**(2,744)**	(2,000)
Deferred tax (asset)/liability	**(21,101)**	60,000

17 Called up share capital

	28 October 2007	30 November 2006
	£	£
Authorised		
105,000 ordinary shares of £1 each	**105,000**	105,000
Allotted, called up and fully paid		
105,000 ordinary shares of £1 each	**105,000**	105,000

18 Reconciliation of equity shareholders' funds and movements on reserves

	Share capital	Capital redemption reserve	Profit and loss account	Total
	£	£	£	£
As at 30 November 2006	105,000	104,285	2,182,690	2,391,975
Retained profit for the financial period			3,052,172	3,052,172
As at 28 October 2007	**105,000**	**104,285**	**5,234,862**	**5,444,147**

Notes *(continued)*

19 Other financial commitments

At 28 October 2007, the company had annual commitments under non cancellable operating leases as follows

	Equipment		Land and buildings	
	2007	2006	**2007**	2006
	£	£	**£**	£
Operating leases which expire				
In less than one year		7,265		
Within two to five years	**89,735**	89,735	**133,500**	133,500
After five years			**15,150**	15,150
	89,735	97,000	**148,650**	148,650

20 Related party transactions

The company has taken advantage of the exemption from disclosing related party transactions with other group companies, as permitted by Financial Reporting Standard No 8 as the consolidated financial statements in which the company is included are publicly available

21 Ultimate parent company

The company is a subsidiary undertaking of Cosalt plc, which is the ultimate parent company, incorporated in England The consolidated accounts of this company are available to the public and may be obtained from Fish Dock Road, Grimsby DN31 3NW

22 Contingent liability

The company has given a guarantee in respect of the bank borrowings of the other group companies At 28 October 2007, total group bank borrowings amounted to £15,230,099